

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 ACDA-07

SAJ-01 IO-13 /112 W

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R 181528Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1179

INFO AMEMBASSY BERLIN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

AMCONSUL BREMEN

AMCONSUL FRANKFURT

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 01 OF 03 BONN 13793

E.O. 11652: GDS

TAGS: PFOR, ETRD, GW, GE

SUBJECT: FRG REJECTS CDU CALL FOR ECONOMIC SANCTIONS
AGAINST GDR

REF: (A) BONN 13469; (B) BONN 13325 (NOTAL)

1. SUMMARY. FEDERAL GOVERNMENT HAS REJECTED CALL BY
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CDU LEADERS FOR ECONOMIC SANCTIONS TO COUNTER RECENT

GDR BORDER ACTIONS, ON GROUNDS SUCH STEP WOULD BRING NO POLITICAL GAIN AND LIKELY HARM NUMEROUS WEST GERMAN FIRMS ENGAGED IN INNER-GERMAN TRADE. BUSINESS LEADERSHIP AND MOST PAPERS ALSO OPPOSE CDU PROPOSAL. BARRING MAJOR ESCALATION BY GDR, FEDERAL GOVERNMENT WILL NOT CONSIDER, MUCH LESS APPLY, ECONOMIC SANCTIONS. ISSUE WILL, HOWEVER, SIMMER ALONG IN CAMPAIGN RHETORIC BETWEEN NOW AND OCTOBER 3 ELECTIONS. END SUMMARY.

2. RECENT EMBASSY CABLES (REFS) AND FBIS ITEMS HAVE NOTED CALL BY SOME CDU POLITICIANS, LED BY CHANCELLOR-CANDIDATE KOHL, THAT FRG USE ECONOMIC MEASURES TO COUNTER RECENT GDR MISDEEDS ON BORDER. CDU HAS NOT MADE DETAILED PROPOSAL, BUT COMMON VIEW IS THAT IT WANTS BONN TO RESTRICT "SWING CREDIT" ARRANGEMENT WHICH ALLOWS GDR TO RUN UP INTEREST-FREE OBLIGATION (LIMITED TO DM 850 MILLION) WITH BUNDESBANK WHICH CLEARS ACCOUNTS FOR INNER-GERMAN TRADE.

A. KOHI HAS SUGGESTED THAT BONN USE ECONOMIC "LEVER" TO MOVE GDR AWAY FROM COURSE OF "ABGRENZUNG" AND CONFRONTATION. AUGUST 16 HE SAID THAT, AS CHANCEILOR, HE WOULD "CONSIDER THE POSSIBILITIES OF ECONOMIC REACTION" TO GDR MISDEEDS, ARGUING THAT FRG SHOULD NOT GIVE "CONSIDERABLE ECONOMIC SUPPORT" TO REGIME WHOSE GUARDS SHOOT PEOPLE ON BORDER.

B. ALFRED DREGGER, CDU PARTY LEADER IN HESSEN, HAS TAKEN HARDEST PUBLIC LINE ON SUBJECT. DREGGER SAID AUGUST 15 THAT FRG'S ECONOMIC POWER IS "ONLY PEACEFUL MEASURE WHICH AFFORDS CHANCE OF SUCCESS" IN AMELIORATING GDR ACTIONS. HE HAS PUBLICLY DEMANDED THAT FRG CUT SWING BY DM 100 MILLION FOR EACH NEW DEATH AT BORDER.

C. CDU GENERAI SECRETARY BIEDENKOPF HAS STATED THAT RECENT GDR ACTIONS CALL INTO QUESTION ENTIRE NEGOTIATED FRAMEWORK WHICH, INTER ALIA, IS BASIS FOR ECONOMIC TIES WITH GDR.

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D. AMONG CDU LEADERS WHO HAVE SPOKEN TO SUBJECT, SCHLESWIG-HOLSTEIN MINISTER PRESIDENT STOLTENBERG AND BUNDESTAG INNER-GERMAN RELATIONS COMMITTEE CHAIRMAN VON WRANGEL HAVE APPEARED TO DISTANCE THEMSELVES FROM IDEA OF ECONOMIC SANCTIONS. LAST WEEKEND STOLTENBERG CAUTIONED THAT INTERZONAL TRADE SERVES BASIC FRG INTEREST AND MUST BE HANDLED WITH CARE, BUT HE OPPOSED FURTHER CREDITS OR AIDS TO GDR WITHOUT SOME PROGRESS

IN AREAS OF CONCERN TO FRG. PARTLY IN RESPONSE TO
SPD/FDP CLAIMS THAT CDU SPEAKS WITH TWO TONGUES RE
SANCTIONS AGAINST GDR, STOLTENBERG ISSUED STATEMENT
AUGUST 16 DENYING THAT HE HAS DIFFERENT VIEW FROM KOHL.

3. IDEA OF ECONOMIC PRESSURE ON GDR, DESPITE GUT
APPEAL, HAS FOUND NO STRONG SUPPORT IN WEST GERMAN
PUBLIC. SPD/FDP COALITION FLATLY AND CONSISTENTLY
OPPOSES IT.

A. FRG SPOKESMAN GRUENEWALD TOLD PRESS AUGUST
9 THAT FRG HAS NO INTENTION OF MIXING INNER-GERMAN
TRADE WITH DISCUSSION OF BORDER INCIDENTS AND HAS
REPEATEDLY DECLARED THAT THIS TRADE IS "NO INSTRUMENT"

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R 181528Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1180

INFO AMEMBASSY BERLIN

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FOR USE IN POLITICAL CONTEXT.

B. CHANCELLOR SCHMIDT REPEATEDLY STRESSES FRG INTENTION TO MEET ITS TREATY COMMITMENTS AND INSIST THAT GDR DO SAME, WHILE REJECTING CALLS TO AGGRAVATE SITUATION BY "UNILATERAL MEASURES". SCHMIDT AUGUST 15
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POINTED OUT THAT BONN HAS MAJOR INTEREST IN KEEPING FRG-GDR TRADE TIES FOR SAKE OF GERMAN NATION. HE DID NOT COMPLETELY RULE OUT COUNTERMEASURES BUT SAID THAT "AT PRESENT THIS SEEMS TO ME TO BE VERY UNSUITABLE BECAUSE I DO NOT KNOW WHERE IT MIGHT END UP." (LATER, SCHMIDT BRANDED PROPOSALS FOR ECONOMIC PRESSURE ON GDR AS "ABSURD".)

C. FORMINISTER GENSCHER HAS SIMILARLY OPPOSED RESTRICTIONS ON GDR TRADE, RECALLING THAT ADENAUER REGIME HAD NOT TAKEN THIS STEP WHEN BERLIN WALL WENT UP IN 1961 AND THAT POLICY WHICH "WAS RIGHT THEN IS EVEN MORE CORRECT TODAY."

D. FDP ECONMINISTER FRIDERICH'S AUGUST 17 CALLED KOHL'S IDEA "ECONOMIC NONSENSE" AND "POLITICALLY USELESS". HE REPEATED CHARGE THAT ZURICH SUBSIDIARY OF RHEINLAND PFALZ STATE BANK (WHOSE BOARD CHAIRMAN IS KOHL) HAD LENT DM 33 MILLION TO GDR WITHOUT ANY CONDITIONS.

4. BUSINESS LEADERS AND MOST PAPERS OPPOSE IDEA THAT ECONOMIC SANCTIONS CAN CHANGE GDR BEHAVIOR. OTTO WOLFF VON AMERONGEN, PRESIDENT OF GERMAN INDUSTRY AND TRADE ASSOCIATION (DIHT), SAID AUGUST 11 THAT HISTORICAL RECORD OF ECONOMIC SANCTIONS SHOWS "THEY NEVER WORKED". HE WARNED AGAINST CURTAILMENT OF SWING CREDIT WHICH IS EMBEDDED IN BROADER AGREEMENTS WITH GDR, AND HE DOUBTED THAT FRG, EVEN IF IT CHOSE TO APPLY SANCTIONS, WOULD FIND SUPPORT OR UNDERSTANDING AMONG ITS EC PARTNERS. INDUSTRY-ORIENTED DAILY "HANDELSBLATT" AND WEEKLY "DER SPIEGEL" CAME TO

SIMILAR CONCLUSIONS. BASED PARTLY ON BRIEFING BY
ECONOMY OFFICIALS, PUBLICATIONS SAID THAT
LIKELY PRACTICAL RESULT OF RESTRICTING SWING CREDIT
WOULD BE THAT BUNDESBANK, IN ORDER TO BALANCE INNER-
GERMAN TRADE ACCOUNT, WOULD CEASE CREDITS TO WEST
GERMAN FIRMS DELIVERING GOODS INTO GDR WHILE CONTINUING
TO CREDIT MONEY TO FIRMS WHICH PURCHASE GDR GOODS.
BECAUSE INNER-GERMAN TRADE INVOLVES THOUSANDS OF WEST GERMAN
FIRMS, SOME OF WHICH RELY ON GDR FOR 40-50 PERCENT
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OF ORDERS, INTERRUPTION IN SWING WOULD GIVE MAJOR JOLT
TO WEST GERMAN ECONOMY, AND EMPLOYMENT. "DER
SPIEGEL" CONCLUDED THAT ECONOMIC PRESSURE ON GDR WOULD
BE FRUITLESS AND THAT EMBARGO WOULD PRODUCE NO
POLITICAL CAPITAL FOR BONN. WORSE, IT WOULD GIVE GDR
EXCUSE TO RETURN TO COLD WAR TACTICS WHICH HAD SOURED
INNER-GERMAN RELATIONS FOR TWO DECADES.

5. EDITORIAL COMMENT ON CDU IDEA HAS BEEN
NEGATIVE BUT SPARSE. LEFT-CENTER "FRANKFURTER
RUNDSCHAU" BLASTED KOHL IDEA AS "POLITICAL IDIOCY"
WHICH WOULD ONLY BRING LOSSES TO WEST GERMAN FIRMS
AND ENDANGER "350,000 JOBS." BONN'S INDEPENDENT
"GENERAL ANZEIGER" AUGUST 17 WARNED THAT TAMPERING
WITH GDR TRADE IS "TWO-EDGED SWORD". OTHER PAPERS HAVE
USED "BOOMERANG" METAPHOR.

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R 181528Z AUG 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1181
INFO AMEMBASSY BERLIN
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6. AUGUST 18 EMBOFF SPOKE WITH ECONMINISTRY OFFICIAL
(ROESCH) WHO HANDLES INNER-GERMAN TRADE. ROESCH
SAID THAT OVER 6,000 WEST GERMAN FIRMS, MANY SMALL-
SCALE WITH TRADITIONAL OR FAMILY TIES IN EAST GERMANY,
ARE INVOLVED IN INNER-GERMAN TRADE. HE NOTED THAT BILATERAL
TRADE VOLUME ROSE SEVEN PERCENT TO DM 7.4 BILLION
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IN 1975, AND HE EXPECTED IT TO REACH DM 8 BILLION THIS
YEAR. THROUGH 1975, FRG HAD ACCUMULATED TRADE BALANCE
IN ITS FAVOR OF DM 2.4 BILLION. ROESCH SAID FIGURES
FOR FIRST HALF 1976 SHOW NEW TREND IN WHICH GDR HAS
DRAMATICALLY RAISED EXPORTS TO FRG BY 21 PERCENT TO
DM 1,922 MILLION (PRIMARILY BY EMPHASIS ON CONSUMER
GOODS) WHILE FRG EXPORTS TO GDR ROSE ONLY 1 PERCENT TO
DM 1,955 MILLION. ROESCH OPINED THAT FRG WILL CLOSE 1976 WITH
SMALL PLUS IN INNER-GERMAN TRADE. HE ALSO PREDICTED
THAT RECENT EVENTS AT BORDER WILL NOT AFFECT THIS
TRADE, BECAUSE OF BONN'S TRANSCENDENT INTEREST IN
PRESERVING AND EXPANDING ECONOMIC NEXUS BETWEEN GERMAN
STATES. FOR THIS REASON, ROESCH EXPECTED THAT ECON
MINISTRY STATE SECRETARY ROHWEDDER WILL VISIT LEIPZIG
FAIR NEXT MONTH FOR ROUTINE TALKS WITH HIS COUNTER-

PART.

7. COMMENT. ABSENT MAJOR ESCALATION BY GDR, WE SEE NO LIKELIHOOD THAT FRG WILL CONSIDER, MUCH LESS APPLY, ECONOMIC RESPONSE TO GDR BORDER VIOLATIONS. MOST WEST GERMANS HAVE COME TO BELIEVE THAT BONN'S ECONOMIC TIE WITH GDR YIELDS LITTLE (IF ANY) POLITICAL LEVERAGE, AND HENCE IS ILL-SUITED FOR DEALING WITH INNER-GERMAN DISPUTES. WE EXPECT OPPOSITION CDU/CSU TO KEEP SANCTIONS IDEA ALIVE BETWEEN NOW AND OCTOBER 3 ELECTIONS, BUT MORE IN CONTEXT OF GENERAL CHARGES OF SPD/FDP NONFEASANCE THAN AS SPECIFIC SUGGESTION AS TO HOW BONN MIGHT USEFULLY TURN ECONOMIC SCREW AGAINST GDR. END COMMENT.
HILLENBRAND

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